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The Honorable John Dingell, Ranking Member
The Committee on Energy and Commerce
2322 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Sherrod Brown, Ranking Member
House Committee on Energy and Commerce
2322 Rayburn House Office Building
Washington, D.C. 20515

February 4, 2003

Dear Representative Dingell and Representative Brown:

We are writing to express deep concerns about the Medicaid proposals included in the January 16, 2003 letter from Governors Bush, Rowland and Owens to President Bush and Secretary Thompson. The letter states that "...it is time to review and fundamentally re-write the nation's Medicaid law..." to give "...greater flexibility to states in determining Medicaid program designs..." and to "...move away from entitlement without responsibility." These proposals, in essence, call for the conversion of Medicaid to a block grant program with caps on enrollment and spending and no guarantee that essential health care services will be available to those in need.

Nearly two million Floridians, mainly the elderly, disabled and children depend on the Florida Medicaid program for vital health care services. *Most of these beneficiaries have income well below the federal poverty level.* (See *A Snapshot of Florida Medicaid*, 11/4/02, copy enclosed). Recent cuts in the Florida Medicaid program give a painful preview of the human suffering which will ensue if the program is restructured to give states even more flexibility to reduce income eligibility standards and cap enrollment. Effective July 1, 2002, over 5,400 elderly and severely disabled Floridians with monthly incomes of just \$672 to \$685 lost their Medicaid benefits. Enclosed are some of their stories.

Any claim that the new Silver Saver program, Florida's Pharmacy Plus Waiver, provides comparable benefits to these individuals is utterly misleading. It does not cover disabled individuals under age 65 and coverage is limited to \$160 per month, an amount far less than the monthly medication needs of many elderly and disabled individuals with serious illnesses. *In exchange for this minimal benefit the state agreed to an aggregate spending cap for all services applied to all senior Medicaid beneficiaries at the unrealistically low growth rate of 8% per year.*

In essence, the Silver Saver program created a Medicaid "block grant" for elderly Medicaid beneficiaries which forfeits the state's ability and commitment to provide full Medicaid

coverage for elderly Floridians who may be eligible for Medicaid in the future. Notably, this was done with great stealth and no opportunity for public input prior to state officials obtaining a rapid approval of their waiver request.

Given increasing medical costs, the ongoing growth of the low income elderly population and their increasing need for services, it is highly unlikely that Florida will remain within the Silver Saver global cap. When that cap is inevitably met, federal funds that now pay over 58% of the cost of services will no longer be available for all eligible seniors. The Silver Saver program has put Florida's growing elder population on a collision course with a capped Medicaid budget.

Now Governor Bush is proposing to do the same for persons with disabilities. His 2003-04 budget eliminates the Medically Needy program for the aged and disabled population. This would impact over twenty-three thousand Floridians with catastrophic illnesses who rely on this program for life-saving hospital, physician and pharmacy services. The Governor's budget proposes to move current Medically Needy beneficiaries into a pharmacy assistance program established under a Medicaid waiver. While advocates have been unable to obtain details about the specific parameters of this proposed new program, *these facts are clear: program spending and enrollment in the new program will be capped*. This will undoubtedly mean long waiting lists for future needy individuals who cannot afford medically necessary medications. Placing severely ill individuals on a waiting list to get life sustaining prescriptions is not only inhumane, it is fiscally irresponsible. Individuals who cannot get their medications will be hospitalized or institutionalized, at far greater costs to themselves and their fellow tax payers.

Moreover, the Governor's plan ignores the fact that 56% of Medically Needy expenditures are for services other than prescriptions including physician and hospital services, as well as Medicare deductibles. Although many Medically Needy beneficiaries have Medicare coverage, without payment for Medicare co-insurance and deductibles, they are unable to access the Medicare benefit package.

The circumstances of Florida organ transplant candidates vividly demonstrate the gaps in the Governor's proposal. For years, the state Medicaid program has covered organ transplant procedures and post-transplant medications for Medically Needy enrollees. These medications are very costly, but transplant survivors will die without them. Without the Medically Needy program, individuals will not even be considered for a transplant unless they can demonstrate the financial capacity to pay for these medications. Consider the circumstances of B.W.:

She has end-stage renal disease and was approved for a kidney transplant in November 2002. However the hospital will not place her on a waiting list until she can demonstrate the ability to pay \$24,000-\$48,000 per year for post-transplant medications. Her only income is a small monthly disability check. Without a transplant her life will be miserable and much shorter. For B.W., the Governor's proposal is a matter of life and death.

The Governor's budget is also proposing to increase cost-sharing for aged and disabled Medicaid beneficiaries. While pharmacy co-payments of \$3, \$5 and \$15 seem reasonable for middle income individuals, they will be cost-prohibitive for a person living on \$552 per month, particularly if they need multiple prescriptions monthly. Studies consistently show that increased cost sharing for low income populations reduce the use of drugs that are essential for disease

management and prevention and therefore result in an increase in the rate of physician visits, hospitalizations and emergency room visits. The tiered co-payments, similar to those already in effect in the Silver Saver program, do not lead to greater uses of generic drugs. Instead, they lead to an across-the-board reduction in the total number of prescriptions filled. In the end, requiring co-payments from people already living at or below poverty will result in worse health outcomes and greater costs to the community, and will heighten the pressure on low income Floridians to decide whether to cut health care, rent, child care or food.

Florida's current Medicaid budget crisis is the result of poor political choices, rather than the structure of the Medicaid program. The Governor's proposal to eliminate the Medically Needy program which leaves thousands of disabled and elderly Floridians without medical coverage comes at the same time he is proposing a \$59 million sales tax holiday(nine days of sales tax exemptions for clothing and one month for books). The slight savings to any individual from the sales tax break are hardly worth the hardship that will be caused by the elimination of the Medically Needy program

As illustrated by the January 16, 2003 letter, states currently have much flexibility in the administration of the Medicaid program and plenty of opportunities to test new models for health care delivery through the waiver process. There is no need to dismantle a safety net program which has saved millions of lives in order to give states more opportunity to "experiment" on low income children, the elderly and people with disabilities. We urge Congress to protect current and future Medicaid beneficiaries by preserving the current structure of the Medicaid program.

Sincerely,

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Florida Alliance for Retired Americans

Institute for Economic Justice

Florida Conference United Methodist Church, Board of Church & Society

Florida Legal Services, Inc.

Florida Women's Consortium

Florida Transplant Survivors Coalition

Clearinghouse on Human Services

Farmworker's Self-Help

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